

**REPORT OF THE AUDIT OF THE  
FORMER WHITLEY COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**January 5, 2003**



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C R I T L U A L L E N  
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Michael Patrick, Whitley County Judge/Executive  
Honorable Ancil Carter, Former Whitley County Sheriff  
Honorable Lawrence Hodge, Whitley County Sheriff  
Members of the Whitley County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, P.S.C., Certified Public Accountants, presents the former Whitley County Sheriff's Settlement - 2002 Taxes as of January 5, 2003.

We engaged Carpenter, Mountjoy & Bressler, P.S.C. to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, P.S.C. evaluated the former Whitley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FORMER WHITLEY COUNTY**  
**SHERIFF'S SETTLEMENT - 2002 TAXES**

**January 5, 2003**

Carpenter, Mountjoy & Bressler, PSC has completed the audit of the Sheriff's Settlement - 2002 Taxes for former Whitley County Sheriff Ancil Carter as of January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The former Sheriff collected taxes of \$3,677,161 for the districts for 2002 taxes, retaining commissions of \$153,145 to operate the Sheriff's office. The former Sheriff distributed taxes of \$3,514,800 to the districts for 2002 Taxes. Taxes of \$35 are due to the districts from the former Sheriff and refunds of \$590 are due to the former Sheriff from the taxing districts.

**Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.



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# Carpenter, Mountjoy & Bressler

*Certified Public Accountants and Consultants*

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Michael Patrick, Whitley County Judge/Executive

Honorable Ancil Carter, Former Whitley County Sheriff

Honorable Lawrence Hodge, Whitley County Sheriff

Members of the Whitley County Fiscal Court

## Independent Auditor's Report

We have audited the former Whitley County Sheriff's Settlement - 2002 Taxes as of January 5, 2003. This tax settlement is the responsibility of the former Whitley County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Whitley County Sheriff's taxes charged, credited, and paid as of January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Michael Patrick, Whitley County Judge/Executive

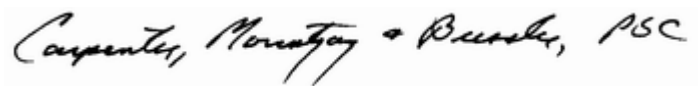
Honorable Ancil Carter, Former Whitley County Sheriff

Honorable Lawrence Hodge, Whitley County Sheriff

Members of the Whitley County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2003, on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, P.S.C.

Audit fieldwork completed -

December 1, 2003

WHITLEY COUNTY  
 ANCIL CARTER, FORMER COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

January 5, 2003

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 544,910	\$ 681,137	\$ 1,678,648	\$ 920,345
Tangible Personal Property	94,233	127,037	168,594	289,042
Intangible Personal Property				77,340
Fire Protection	3,750			
Increases Through Exonerations	1,014	1,311	2,462	1,311
Franchise Corporation	41,528	53,984	128,508	
Unmined Coal - 2002 Taxes	60	75	297	101
Unmined Coal - Omitted 2002 Taxes	104	130	514	175
Oil and Gas Property Taxes	15,393	19,241	76,194	25,975
Penalties	1	1	5	18
Adjusted to Sheriff's Receipt	261	1		
Gross Chargeable to Sheriff	<u>\$ 701,254</u>	<u>\$ 882,917</u>	<u>\$ 2,055,222</u>	<u>\$ 1,314,307</u>
<u>Credits</u>				
Exonerations	\$ 6,555	\$ 8,215	\$ 23,972	\$ 12,243
Discounts	8,896	11,207	24,345	18,368
Transfers To Incoming Sheriff:				
Real Estate And Tangible Property	153,409	191,860	513,612	285,677
Oil	58	72	286	98
Gas	1,798	2,247	8,900	3,034
Unmined Coal - 2002 Taxes	32	40	157	53
Uncollected Franchise	515	626	264	
Total Credits	<u>\$ 171,263</u>	<u>\$ 214,267</u>	<u>\$ 571,536</u>	<u>\$ 319,473</u>
Taxes Collected	\$ 529,991	\$ 668,650	\$ 1,483,686	\$ 994,834
Less: Commissions *	<u>22,812</u>	<u>28,418</u>	<u>59,347</u>	<u>42,568</u>
Taxes Due	\$ 507,179	\$ 640,232	\$ 1,424,339	\$ 952,266
Taxes Paid	505,978	638,992	1,419,410	950,420
Refunds (Current and Prior Year)	<u>1,166</u>	<u>1,331</u>	<u>5,364</u>	<u>1,910</u>
Due Districts or Refunds Due Sheriff		**		
as of Completion of Fieldwork	<u>\$ 35</u>	<u>\$ (91)</u>	<u>\$ (435)</u>	<u>\$ (64)</u>

\* and \*\* See Page 4

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY  
ANCIL CARTER, FORMER COUNTY SHERIFF  
SHERIFF'S SETTLEMENT – 2002 TAXES  
January 5, 2003  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,183,475
4% on	\$	1,483,686

\*\* Special Taxing Districts:

Library District	\$	(28)
Health District		(25)
Extension District		(31)
Soil Conservation District		<u>(7)</u>
Due Districts or (Refund Due Sheriff)	\$	<u><u>(91)</u></u>

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY  
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003 the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

WHITLEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 5, 2003  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 2002 through January 5, 2003.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2002. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 20, 2003 through January 5, 2003.

Note 4. Interest Income

The former Whitley County Sheriff earned \$2,049 as interest income on 2002 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the former Sheriff's office. As of December 1, 2003, the former Sheriff owes \$255 in interest to his fee account.

Note 5. Tax Account Surplus

The Sheriff's tax account surplus totaled \$729 at January 5, 2003. These funds should be placed into an escrow account. The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







*Certified Public Accountants and Consultants*

The Honorable Michael Patrick, Whitley County Judge/Executive  
The Honorable Ancil Carter, Former Whitley County Sheriff  
The Honorable Lawrence Hodge, Whitley County Sheriff  
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Whitley County Sheriff's Settlement - 2002 Taxes as of January 5, 2003, and have issued our report thereon dated December 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Whitley County Sheriff's Settlement - 2002 Taxes as of January 5, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, is not intended to be, and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, P.S.C.

Audit fieldwork completed -  
December 1, 2003

